

Tax Exempt Fund Probe Set

By Morton Mintz

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Rep. Wright Patman (D-Tex.) set hearings yesterday on possible "massive tax-dodging" by foundations that are produced on an "assembly line" and sold with a simple and appealing argument—that tax minimization in a democracy should not be for millionaires alone.

The first witnesses will be trustees and members of the pioneer foundation-manufacturing enterprise, the year-old Americans Building Constitutionally (ABC) of the Chicago suburb of Barrington.

If ABC's success tempts others into the field, Patman said, tax-exempt foundations could become as commonplace "as bathtub distilleries were during the prohibition era"—and could lead to "chaos for the Nation's tax structure."

The hearings, which will begin Oct. 30, will be held by Patman as Chairman of the House Small Business Subcommittee on Foundation. He has contended for years that the Treasury Department has made—and then only after "repeated goadings"—a "minimum effort" to curb abuses by tax-exempt foundations.

In announcing the hearings, Patman said that ABC's promoters "take the position that tax-dodging—via the foundation gimmick—should not accrue solely to the Rockefellers, the Fords, the Mellons, the Carnegies and other millionaires," and that "ordinary business and professional men should be allowed to do the same on a smaller scale. It is an argument that is hard to answer . . ."

In Barrington, Robert D. Hayes, ABC's trustee and chief administrator, said in a phone interview, "That is exactly what we believe, and that is the basis for our operation."

A different view of the operation may be taken, however, by the Internal Revenue

Service, which began an investigation in August after a lengthy story on ABC appeared in the Wall Street Journal. On the ground that it is not required by law, ABC has not filed an application for tax exemption.

For the Patman hearing, invitations to testify have been sent to Hayes, who said he would accept; to James R. Walsh Jr., also of Barrington, who is credited with conceiving the grand plan for ABC; to George Schuyler, president of the Philippa Schuyler Memorial Foundation of New York City, and to Dr. Michael R. Saxon, medical administrator of the Saxon Foundation of Aurora, Ill.

Philippa Schuyler, a 34-year-old concert pianist, was killed recently in a helicopter crash in Vietnam.

Dr. Saxon is one of more than 800 persons throughout the Nation who, Hayes said, have paid ABC up to \$10,500 each to obtain legal advice and expertise on tax-exempt foundations.

According to the Subcommittee, one such ABC-tutored organization, the Forensic Science Institute, is headed by Herman E. Kimsey of 1723 G st. nw. A former Central Intelligence Agency official, he handled security for Barry M. Goldwater in the 1964 Presidential campaign and was a volunteer for the Schuyler Foundation.

For \$1050, Hayes said, an "educational" membership can be bought in ABC. The buyer gets about 40 hours of instruction on how to use the intricate complex of trusts and foundations ABC can set up for him. He promises never to divulge ABC's trade secrets. "Why should we educate the competition?" Hayes asked.

For an additional \$5250, ABC will set up a specially tailored nonprofit foundation. For a total payment that has ranged between \$7000 and \$10,500, the buyer gets the complete ABC package.

One incentive to buy the full package is that the buyer's foundation becomes eligible for a \$2000 "endowment" out of fees paid by a new member he brings into ABC, plus \$1000 out of fees paid by those the new (second) member brings in, plus \$500 of fees paid by the following generation.

This arrangement is compared by ABC's Hayes to a country club's. Some investigators take a less benign view.

Of the \$3500 retained by ABC from a membership fee, part is set aside for defense against legal attacks. Hayes said ABC is paying the legal expenses of B. Douglas Fahy and Charles R. Billings, Long Beach

(Calif.) insurance men. They have refused to answer a total of 33 questions, some dealing with financial aspects, in an investigation by State Deputy Attorney General Lawrence R. Tapper. The dispute is in the courts. Another, continuing investigation is being made by the consumer frauds section of the office of the Illinois Attorney General.

Subcommittee investigator Harry A. Olsner said that in Aurora, Ill., Dr. Saxon's foundation collects his fees, employs his wife as "assistant medical administrator," has made grants for the college education of their children and provides the physician a car, insurance and a retirement plan.